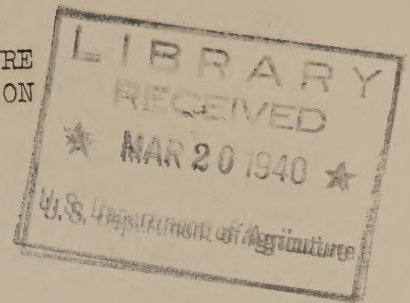


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UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
Division of Information



A DECADE OF FARM LEGISLATION

(An article by Robert H. Shields, Agricultural Adjustment Division, Office of the Solicitor, Department of Agriculture, that appeared in the December, 1939, issue of "The Agricultural Situation." The following editorial note appeared with the article:

More important Federal agricultural legislation has been enacted during the last 10 years than in all preceding periods combined. Predominant, of course, have been the Agricultural Adjustment Acts designed to raise agricultural prices and increase farm income. Fundamental has been the legislation directed toward conservation of the Nation's land and human resources, toward greater farm security and a better farm life. The accompanying article presents the principal objectives and a summary of legislation during the past decade.)

Early American farm legislation was directed primarily toward the encouragement of agricultural research and the regulation of unfair trade practices adversely affecting farmers and the public. Although the regulatory activities of the Department of Agriculture have continued to change during the past 10 years in response to changing needs (evidenced by the enactment of the Commodity Exchange Act of 1936 and the Federal Food, Drug and Cosmetic Act of 1939), post-depression agricultural legislation has been designed principally to make available effective governmental controls operating directly upon low agricultural prices.

As the depression deepened, it was seen that remedial Federal farm legislation must be undertaken to bolster farm prices. State action, through laws granting temporary moratoria on farm indebtedness, was inadequate to effect any fundamental solution of national price-dislocations. From 1929 to 1932, the Federal Farm Board approach to the solution of agricultural ills was undertaken. The theory was that orderly marketings would solve the farm problem. The fundamental difficulty was that this plan failed to realize the necessary correlation between production and marketing. In the face of sustained agricultural production, the Farm Board proved ineffectual as a means of sustaining agricultural prices.

The experience of the Farm Board, though tremendously costly, was not entirely valueless. It gave point to the realization of the futility of using indirect methods to cure fundamental dislocations. This led inevitably to the enactment of the Agricultural Adjustment Act (of 1933), as a direct assault upon low farm prices. The primary purpose was to effect a fair economic correlation between industrial and agricultural buying power.

Broadly stated, this primary purpose was to be accomplished by making rental-benefit payments to farmers who voluntarily reduced production of basic agricultural commodities. Payments were financed through an excise

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tax levied on the processing of any basic commodity on which benefit payments were to be made. The act also authorized the Secretary of Agriculture to enter into marketing agreements and to issue licenses to processors and others engaged in the handling of any agricultural commodity in interstate or foreign commerce.

In 1934, a number of laws were passed supplementing and broadening the scope of the original Agricultural Adjustment Act (of 1933). The Jones-Connally Cattle Act of 1934 added cattle, peanuts, rye, flax, barley, and grain sorghums to the original list of basic commodities. This act authorized appropriations to effect surplus reductions and production adjustments in the dairy- and beef-cattle industries, a program for the elimination of diseased cattle, and the carrying out of the 1934 Drought Emergency Livestock Purchase Program.

The Bankhead Cotton Act of 1934 strengthened the Agricultural Adjustment Program with respect to cotton by adding to the voluntary acreage reduction approach of the Agricultural Adjustment Act a control over the volume of cotton marketed. Similar supplemental legislation affecting tobacco was enacted in the Kerr Tobacco Act of 1934.

The scope of the Agricultural Adjustment Act was broadened by the enactment of the Jones-Costigan Sugar Act of 1934. This act added sugar beets and sugarcane to the list of basic commodities covered by the original act and set up a quota system with respect to the importation and continental shipments of sugar. The DeRouen Rice Act of 1935, amending the Agricultural Adjustment Act, authorized a rice program based on processing taxes and benefit payments to producers.

Prior to 1936, the pressing need for Governmental aid to encourage soil conservation was fulfilled in part by the agricultural adjustment programs which embodied numerous soil conserving features. The act of April 27, 1935, establishing the Soil Conservation Service, was designed to correlate the activities of State agencies and Federal agencies in effecting a more complete soil conservation program. Both the spending power of the Federal Government and the police power of the States were, by this act, mobilized toward this end.

Section 32, Public Law No. 320, Seventy-fourth Congress, provides the principal source of funds which has been utilized to effect the removal of price-depressing surpluses of agricultural commodities. This act appropriates funds for each fiscal year to the Secretary of Agriculture equal to 30 percent of the customs receipts. Such funds may be used to encourage domestic consumption of agricultural commodities by diverting them from the normal channels of trade. The Federal Surplus Commodities Corporation, a Government corporation chartered under the laws of Delaware on October 4, 1933, has provided the principal vehicle by which surplus agricultural commodities have been purchased and donated to States for distribution to persons on relief.

Following the invalidation of the rental-benefit provisions of the

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Agricultural Adjustment Act (of 1933) by the United States Supreme Court in *United States v. Butler* on January 6, 1936, the Soil Conservation and Domestic Allotment Act was enacted. This act continued to take the direct approach toward solving the agricultural problem, but the solution was sought primarily through payments for the adoption of land uses and farm practices which would conserve and build up soil fertility instead of through the adjustment of production or marketing.

Following the *Butler* decision, which clouded in doubt the legality of the sugar program under the Jones-Costigan Sugar Act, the Sugar Act of 1937, repealing the earlier sugar legislation, was enacted. This act invoked the Federal commerce power to regulate sugar marketings in interstate and foreign commerce by the imposition of quotas on the continental United States, the offshore possessions, and foreign countries. This act also provides conditional payments to producers of sugarcane and sugar beets who have not marketed in excess of a given quantity and who have met certain standards with respect to child labor and wage rates and who have performed certain soil conservation practices prescribed by the Secretary. Moreover, in the case of producers who are also processors, fair and reasonable prices for sugar beets and sugarcane must be paid in order to qualify for these payments.

In order to clarify further doubts as to the legal effect of the *Butler* decision upon the various provisions of the Agricultural Adjustment Act (of 1933), the Agricultural Marketing Agreements Act of 1937 was enacted. This act reenacted the marketing agreement and order provisions of the original Agricultural Adjustment Act.

The Bankhead-Jones Farm Tenant Act of 1937 is a milestone in governmental humanitarianism. This act is designed to conserve the human as well as the physical resources of the country. The fundamental causes of farm destitution are rooted deep in national economic dislocations, dislocations caused largely by the long existing state of unbalance between agricultural and industrial economies. As this state of unbalance was augmented during the depression, so farm destitution likewise increased. Entrusted originally to the Resettlement Administration, the program to ameliorate this condition is now the responsibility of the Farm Security Administration. Small loans are made to needy farm families who are otherwise without credit, and loans are accompanied by sufficient training in good farm practices to insure the best use of the money loaned.

The Farm Credit Administration has in recent years done much to relieve farm distress through reducing interest rates on farm indebtedness. Refinancing programs have been undertaken which have effected an appreciable reduction in farmers' annual interest payments. Moreover, as a result of recent legislation, interest rates on Federal land-bank loans have been at 4 percent in recent years, the lowest rate on record.

The Agricultural Adjustment Act of 1938 was enacted in the light of 2 years' experience with agricultural conservation programs under the Soil Conservation and Domestic Allotment Act. The Agricultural Adjustment Act





of 1938 is designed, insofar as practicable, to assure farmers parity prices and income and embodies the all-weather ever-normal granary principle. The purposes of this act are to be accomplished by price-sustaining commodity loans, regulation of marketings of farmers when surpluses become excessive, and by providing for parity payments. This new act strengthens the Soil Conservation and Domestic Allotment Act by direct amendment and by providing supplemental controls which tend to insure a better balance between supply and demand than would otherwise be the case because of increased unit production resulting from improved farm practices encouraged by the Soil Conservation Act.

The price-sustaining commodity loans referred to above have for several years been made by the Commodity Credit Corporation, a Government corporation chartered under the laws of Delaware. The Agricultural Adjustment Act of 1938 makes these loans mandatory for cotton, corn, and wheat under certain supply and price conditions.

The Federal Crop Insurance Act of 1938 was a pioneering step in farm legislation. This act provides all-risk insurance to wheat farmers against losses in yield. Premiums and losses are payable either in wheat or its cash equivalent. Because the crop-insurance program provides for the payment of premiums in kind, wheat will be received by the Government in years of large yields and stored until such time as that wheat is paid out to farmers as indemnity in years of low yields. Obviously, the operation of this program tends to further the all-weather ever-normal granary principle.

In summary, the last 10 years have witnessed a fundamental shift from established norms of farm legislation. Under the impetus of new social concepts of the proper function of government, it has become the policy of government to concern itself with economic and social maladjustments. The action programs initiated by agricultural legislation of recent years were created to give form to these new concepts of governmental obligations.

